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MDAC Fact Sheet # EC2
November 10, 1954

Transaction Controls

The most recent COCOM understanding on the introduction of transaction controls is contained in COCOM Document 1634 of June 24, prepared prior to the July CG meeting. At this CG meeting the U.K. indicated willingness to adopt transaction controls, and the TAC scheme was accepted in principle by the PC's, the two schemes having been linked together during the year and one-half they had been under discussion as the twin component of a transit trade control arrangement. Other PC's not having transaction controls had previously indicated that they were prepared to introduce these (COCOM Document 1634).

The statement by the U.K. recorded in Doc. 1634 is of interest.

"At the request of some Delegations, the Export Controls sub-committee heard details from the United Kingdom Delegation of the manner in which transaction controls would be administered in the United Kingdom. The explanation may be summarised as follows : In general, the measure would be similar to those already in force in Canada and the United States. The Government possessed legal powers to make Regulations on the purchase, sale, distribution and disposal of goods by United Kingdom traders. Under these powers, it would be made an offence to dispose of certain goods lying outside the United Kingdom, either to Government agencies or individuals in the Soviet Bloc. The expression "dispose of" was open to wide interpretation and covered both disposal directly to the Soviet Bloc, or indirectly, if the United Kingdom resident had any knowledge of their ultimate destination. In reply to a question, the UNITED KINGDOM Delegate said that he did not think that the term "dispose of" would cover the action of intermediaries having no money invested in the transaction but simply drawing a commission. This was, however, a personal opinion and in the last analysis, the decision could only be taken by the Courts.

The penalties for infringing these regulations could be very heavy amounting to 14 years imprisonment. As to the practical operation of the scheme : Any transaction having the approval of the Government could only be carried out with a licence issued by the Board of Trade, whether the goods came into the United Kingdom or not. The list of items in which it was forbidden to trade would be published and breaches of the Regulations would come to the notice of the authorities through various channels which he had described on previous occasions. The authorities in the United Kingdom were satisfied that if the order were introduced with very heavy penalties, it would act as a strong deterrent to United Kingdom residents to carry out such transactions.

In reply to a question on the position of banks, the UNITED KINGDOM Delegate said that if they took part knowingly in illegal transactions, they would expose themselves to proceedings and this should secure co-operation in the implementation of the order.

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The UNITED STATES Delegate said that as the Committee knew, the United States Government had had similar regulations in force since June 1953 and they had worked satisfactorily. The banks were one of the principle enforcement agencies in the United States. In response to a question the Delegate said that in the United States an agent drawing commission would fall within the terms of the Order."

Attachment

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